

## STAFF REPORT

**TO:** Council Finance Committee

**FROM:** Lauren Bradley, Finance Director

**Prepared by:** Brenda Mills,  
Administrative Services Manager

**DATE:** March 20, 2012

**RE:** Living Wage Update and Action Items

**SUMMARY STATEMENT:** The purpose of this staff report is to provide an update on the Living Wage policy for the city to date and recommended action for the next fiscal year.

### BACKGROUND

In April 2011, City Council approved a resolution setting a living wage for City of Asheville full- and part-time employees and contract employees working on General Service contracts \$30,000-\$90,000 in value. The resolution set the living wage for Fiscal Year 2011-2012 at \$11.35/hour without employer provided health insurance and \$9.85/hour with employer provided health insurance.

Based on direction given in 2011, City Council stated its intent to annually evaluate the living wage as part of the budget process to ensure the wage stays current with inflationary indexes (such as the Consumer Price Index) and/or the most current recommendation from Just Economics. The City Council also stated it would evaluate if the living wage provision should be extended to additional thresholds of General Services contracts. Once the rate and contract threshold is set, the City's standard terms and conditions for general service contracts will be updated annually to reflect that wage.

The terms and conditions for contracts within this threshold have contained a provision that the vendor is required to pay a Living Wage to employees who carry out duties specific to the completion of the contract. It has been the City's intent to pay the additional cost of incorporating a living wage into General Service contracts.

### ANALYSIS

#### (1) Living Wage Rate

It is the recommendation of Just Economics, based on a formula that takes into consideration costs of housing and other necessities, that the living wage rate remain unchanged in Fiscal Year 2012-2013 at \$11.35/hour without employer provided health insurance and \$9.85/hour with employer provided health insurance.

#### (2) Living Wage application to General Service Contracts

Data collected and analyzed since July 2011 shows the following impact of the living wage policy on the city's general services contracts. The new financial system, MUNIS, allows general services contract information to be collected and reviewed each quarter for living wage review:

- Total of 114 general services contracts were let through March 14, 2012
- Number of general services contracts by dollar thresholds

- Between \$30,000 and under \$90,000 (17 total) – 8 were subject to living wage and vendor complied with living wage requirements
- Between \$90,000 and under \$200,000 (4 total) – all contracts in this threshold would have been subject to living wage if the policy had included contracts up to \$200,000
- Over \$200,000 (6 total) – 2 contracts in this threshold would have been subject to living wage if the policy had included contracts above \$200,000

For the data above, contracts not subject to the living wage would have been those that did not include a labor services (i.e., software licensing purchases, Interlocal agreements, etc.). For the most part, contracts executed in the \$90,000-\$200,000 and above range included services where living wage rates are already paid (audit services, Development Services software implementation, IT infrastructure maintenance, radio infrastructure maintenance, etc.).

### **FISCAL IMPACT**

The City of Asheville currently meets the current living wage standard for full-time employees, and so no fiscal impact is expected.

Data from contracting in the current fiscal year shows that when the City contracted for services above \$90,000, the vendor typically already paid a living wage. Based on the City's current year performance, the impact of adjusting the General Services contract threshold up to \$200,000 may have a limited financial impact. However, if the City executes large contracts for labor intensive services (i.e., security services, landscaping and mowing services), there may be a more significant impact, possibly ranging from 10-30%.

### **RECOMMENDATION**

Staff recommends adoption of a Living Wage resolution that:

- (1) Sets the living wage rate at \$11.35/hour without employer provided health insurance and \$9.85/hour with employer provided health insurance;
- (2) Increases the contract threshold for General Services subject to the living wage up to \$200,000 for review;
- (3) Directs staff to continue to monitor the impact of an adjustment with data provided to City Council as part of the quarterly financial reports, and;
- (4) Brings the policy back to City Council for official review as part of the FY 13-14 budget process.

RESOLUTION NUMBER \_\_\_\_\_

RESOLUTION ADOPTING A LIVING WAGE FOR FULL- AND PART-TIME CITY EMPLOYEES  
AND GENERAL SERVICE CONTRACTS \$30,000-\$200,000

WHEREAS, the Asheville City Council has adopted a strategic plan that includes a goal to make Asheville affordable for people of all incomes, life stages and abilities;

WHEREAS, a living wage is the amount that a worker must earn to afford his or her basic necessities without public or private assistance;

WHEREAS, on May 22, 2007, the Asheville City Council adopted a living wage for full- and part-time City employees;

WHEREAS, on March 22, 2011, the Asheville City Council adopted a purchasing and contracting policy that includes a living wage provision for employees working on General Services contracts between \$30,000 and \$90,000 in value;

WHEREAS, in April 2011, the Asheville City Council adopted a resolution setting the living wage at \$11.35/hour without employer provided health insurance and \$9.85/hour with employer provided health insurance; and

WHEREAS, Council deemed it advisable to revisit the amount of the living wage each year during the annual budget process to ensure it remains consistent with inflation and appropriately applied to General Service contracts;

WHEREAS, based on data provided by Just Economics, the living wage rate has remained unchanged since April 2011; and

WHEREAS, City Council desires to increase the applicability of the living wage to additional General Service contracts ; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ASHEVILLE THAT:

The Living Wage for Fiscal Year 2012-2013 be set at \$11.35/hour without employer provided health insurance and \$9.85/hour with employer provided health insurance, and that the living wage provision apply to employees working on General Services contracts between \$30,000 and \$200,000 in value as well as City of Asheville full- and part-time employees.

Read, approved and adopted this 27th day of March, 2011.